

Message Text

LIMITED OFFICIAL USE

PAGE 01 PARIS 29977 01 OF 03 131527Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-10 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 H-01 L-03 OIC-02 PA-01 /109 W
-----097661 131558Z /70

R 131622Z OCT 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 0227

LIMITED OFFICIAL USE SECTION 01 OF 03 PARIS 29977

PASS TREASURY, CEA, FEDERAL RESERVE

USOECD

E.O. 11652: N/A
TAGS: EFIN, ECON, EAID, OECD
SUBJECT: OECD SECRETARIAT'S REPORT ON WASHINGTON
MEETINGS OF IMF, IBRD AND RELATED BODIES

1. SUMMARY. OECD PERMANENT DELEGATIONS WERE BRIEFED OCTOBER 11 BY SECRETARIAT OFFICIALS WHO ATTENDED IMF/IBRD AND ANCILLARY MEETINGS IN WASHINGTON. SECGEN ADDED COMMENT ON OECD'S CONTRIBUTION TO OVERALL SYNTHESIS OF INDIVIDUAL COUNTRIES' ECONOMIC OUTLOOK AND IN IDENTIFYING RELEVANT MULTILATERAL ISSUES. VAN LENNEP ALSO SUGGESTED OECD COULD BE HELPFUL IN SHARPENING INDUSTRIALIZED COUNTRIES' INPUT TO IMF/IBRD DEVELOPMENT COMMITTEE. VAN LENNEP EXPRESSED APPRECIATION TO US FOR ARRANGEMENTS MADE FOR HIS BILATERAL VISITS WITH USG OFFICIALS, WITH PERSONALITIES ON THE HILL AND WITH AFL-CIO. END SUMMARY.

2. AT OCTOBER 11 MEETING OF HEADS OF DELEGATION (IN-
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PARIS 29977 01 OF 03 131527Z

FORMAL MEETING OF OECD COUNCIL), SECRETARIAT OFFICIALS WHO ACCOMPANIED SECGEN TO WASHINGTON PRESENTED ORAL REPORTS ON THEIR IMPRESSIONS OF THE VARIOUS MEETINGS RELATED TO ECONOMIC AND MONETARY QUESTIONS (MARRIS) AND OF THE DEVELOPMENT COMMITTEE (FUHRER). THE FOLLOWING PARAGRAPHS COVER MAIN CONCLUSIONS OR JUDGEMENTS OFFERED BY THEM AND BY VAN LENNEP (I.E.,

ABSTRACTING FROM FACTUAL RECOUNTING WHICH CONSTITUTED BULK OF THESE REPORTS).

3. ECONOMIC OUTLOOK AND POLICY PRESCRIPTIONS.

MARRIS NOTED THAT IN THE IMF CONTEXT, AND OTHER MEETINGS RELATED TO ECONOMIC POLICY, THE PREVAILING THEMES CONCERNED (A) POLICIES AND INSTRUMENTS AVAILABLE TO IMPROVE ECONOMIC PERFORMANCE AND (B) DANGERS OF PROTECTIONISM. ON THE ECONOMIC OUTLOOK, LDCS WERE GENERALLY OPTIMISTIC, EUROPEANS GLOOMY, AND US IN BETWEEN. POLICY OPTIONS WERE DISCUSSED THROUGHOUT THE WEEK, BEGINNING WITH INTERIM COMMITTEE AND CONTINUING IN G-10 DEPUTIES, G-10 MINISTERS, WP-3, AND FORMAL ANNUAL IMF MEETING ITSELF. MARRIS FELT THAT THERE HAD BEEN CONSIDERABLE EVOLUTION IN THINKING DURING THE WEEK, WITH THE CONSENSUS AT THE END BEING SUMMARIZED IN WITTEVEEN'S FINAL REMARKS TO THE EFFECT THAT WHILE BASIC STRATEGY REMAINED VALID, WE HAD BEEN "BLOWN OFF COURSE" AND ACTION WAS NEEDED TO GET BACK TO IT. MARRIS NEVERTHELESS FELT THAT AT THE END OF THE MEETING THERE WAS STILL NOT A COMPLETE UNDERSTANDING AS TO RELATIVE ROLES AND RESPONSIBILITIES OF SPECIFIC COUNTRIES IN ORDER TO IMPROVE ECONOMIC PERFORMANCE. HE SUGGESTED THAT THE OECD'S MONITORING EXERCISE, IN WHICH COUNTRIES WILL BE SUBMITTING THEIR TARGETS FOR 1978 FOR EXAMINA-LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 PARIS 29977 01 OF 03 131527Z

TION BY THE EPC IN NOVEMBER, MIGHT HELP TO IDENTIFY THE NATURE OF THE SITUATION OF EACH COUNTRY IN CONTEXT OF THE GLOBAL SCENE AND EXTENT TO WHICH CONSTRAINTS ON FURTHER STIMULATORY ACTION BY SOME COUNTRIES ARE DOMESTIC INFLATION, OR BALANCE OF PAYMENTS, OR BOTH.

3. INTERIM COMMITTEE.

MARRIS REPORTED THAT THE IMF STAFF'S DOWNWARD REVISED

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 PARIS 29977 02 OF 03 131534Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-10 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 H-01 L-03 OIC-02 PA-01 /109 W
-----097913 131600Z /70

R 131622Z OCT 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 0228

LIMITED OFFICIAL USE SECTION 02 OF 03 PARIS 29977

OUTLOOK FOR ECONOMIC GROWTH WAS STILL ABOUT 1 PERCENT HIGHER THAN THE PROJECTION LIKELY TO EMERGE FROM THE ONGOING OECD FORECASTING ROUND (HE LATER SAID THIS DIFFERENTIAL APPLIED GENERALLY TO THE PERIOD THROUGH END 1978). SECGEN VAN LENNEP'S PRESENTATION, ACCORDING TO MARRIS, PROVIDED THE BASIS FOR MUCH OF THE DISCUSSION OF GENERAL ECONOMIC ISSUES WHICH ENSUED AT THAT MEETING AND OTHERS -- I.E., A) WHETHER BALANCE OF RISKS HAD SHIFTED FROM INFLATION TO INSUFFICIENT GROWTH; B) IF SO, WHAT COUNTRIES COULD UNDERTAKE FURTHER STIMULUS; AND C) WHAT WOULD BE APPROPRIATE INSTRUMENTS TO BE USED IN ANY SUCH STIMULUS. MARRIS DID NOT EXPECT ENTRY INTO FORCE OF WITTEVEEN FACILITY BEFORE YEAR END AND MENTIONED SHORT-TERM LIQUIDITY SQUEEZE IN THE IMF IN VIEW OF THIS SLIPPAGE AND THE DELAY IN RATIFYING THE PACKAGE OF AMENDMENTS TO THE ARTICLES AND THE 6TH QUOTA REVIEW.

5. G-10 DEPUTIES AND MINISTERS.

MARRIS POINTED OUT THAT LENGTHY DISCUSSION BY G-10
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PARIS 29977 02 OF 03 131534Z

DEPUTIES OF INTERNATIONAL ECONOMIC SITUATION WAS UNPRECEDENTED FOR THAT BODY. MARRIS HAD USED OCCASION TO ELABORATE ON SECGEN'S STATEMENT TO INTERIM COMMITTEE ALONG LINES WHICH HAVE ALSO BEEN INCORPORATED IN OCT. 10 SPEECH BY SECGEN TO PARLIAMENTARY ASSEMBLY OF THE COUNCIL OF EUROPE AT STRASBOURG. (KEY EXCERPTS ON MACRO-ECONOMIC POLICIES BEING SENT SEPTTEL; COPIES OF FULL TEXT BEING SENT TO GELBARD:EUR/RPE.) MARRIS ALSO NOTED THAT G-10 DEPUTIES HAD AGREED TO MEET IN PARIS IN

NOVEMBER AROUND TIME OF EPC AND WP-3 (NOV. 21-23) TO DISCUSS THE IMF'S LIQUIDITY POSITION (MENTIONED IN PARA 4 ABOVE).

6. WORKING PARTY THREE.

MARRIS FELT THAT THE MORE DETAILED DISCUSSION AT WP-3 OF THE THREE "LOCOMOTIVE" COUNTRIES LEFT MORE DOUBT THAN PREVIOUS DISCUSSIONS DURING THE WEEK ABOUT WHETHER DOMESTIC DEMAND IN THESE COUNTRIES WOULD IN FACT REACH LEVELS PROJECTED BY THEM.

7. DEVELOPMENT COMMITTEE (DC).

FUHRER DREW ATTENTION TO THE DIVERGENT OPINIONS ON THE ROLE OF THE DC, AND HE SUGGESTED THAT THE OECD COULD CONTRIBUTE TO A CONSTRUCTIVE DISCUSSION OF HOW BEST TO USE THIS COMMITTEE. DC AGREED ON NEED FOR SPECIAL ACTION FOR POOREST LDCS, BUT IT HAD DIFFICULTY IN DEFINING THESE COUNTRIES AND THE KIND OF ACTION NEEDED. THE NEW WORLD DEVELOPMENT REPORT TO BE PREPARED BY IBRD STAFF FOR THE DC MAY REINFORCE GROWING EMPHASIS ON BASIC HUMAN NEEDS CONCEPT. FUHRER ALSO SUGGESTED THAT THIS STUDY AND DC'S WORK WILL REVIEW POLICIES OF LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 PARIS 29977 02 OF 03 131534Z

LDCS THEMSELVES, DESPITE LDC INSISTENCE DC SHOULD NOT GO BEYOND QUESTIONS BEARING ON RESOURCE TRANSFER.

8. PICKING UP ON THE REMARKS OF MARRIS AND FUHRER, VAN LENNEP MADE THE FOLLOWING COMMENTS:

A) INTERIM COMMITTEE IS AN EFFECTIVE FORUM. ITS FORMAT IS EFFICIENT FOR NEGOTIATING AT MINISTERIAL LEVEL. THE IMF'S PREPARATIONS FOR ECONOMIC DISCUSSIONS IN THE COMMITTEE HAVE DEFICIENCY OF TENDING TO FOCUS ON INDIVIDUAL COUNTRIES. OECD'S GREATER ATTENTION TO OVERALL, SYNTHESIZED ANALYSIS PERMITS IT TO MAKE A SIGNIFICANT CONTRIBUTION TO THE DRAWING OF GENERAL CONCLUSIONS ON QUESTIONS OF INTERNATIONAL ECONOMIC POLICY CONCERN.

B) DEVELOPMENT COMMITTEE'S POTENTIAL FOR NON-EMOTIONAL DISCUSSION OF DEVELOPMENT ISSUES IN RESTRICTED BODY OPERATING ON CONSTITUENCY PRINCIPLE GIVES IT A CONSIDERABLE ADVANTAGE OVER PLENARY UN BODIES. HOWEVER, ITS ATTRACTIVENESS TO LDCS MAY BE HAMPERED BY WEIGHTED VOTING PRINCIPLE (WHICH NEVER EMPLOYED ANYWAY). PREPARATION BY DEPUTIES OF RECENT MEETING MADE IT A

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 PARIS 29977 03 OF 03 131540Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-10 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 H-01 L-03 OIC-02 PA-01 /109 W
-----098314 131601Z /70

R 131622Z OCT 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 0229

LIMITED OFFICIAL USE SECTION 03 OF 03 PARIS 29977

MORE EFFECTIVE ONE, BUT PARTICIPANTS APPEAR TO RECOGNIZE
THAT FURTHER EFFORTS NEED TO BE MADE IF COMMITTEE'S
POTENTIAL IS TO BE FULLY UTILIZED. BETTER PREPARATION
BY INDUSTRIALIZED COUNTRY PARTICIPANTS WOULD BE HELPFUL.

C) IN MEETING WITH MCNAMARA VAN LENNEP HAD DISCUSSED
EXPANDED TECHNICAL CONTACTS BETWEEN OECD SECRETARIAT AND
IBRD STAFF. THESE ARE TO BE WELCOMED, PARTICULARLY
GIVEN POSSIBILITY THAT OECD MINISTERIAL IN SPRING 1978
COULD DISCUSS DEVELOPMENT ISSUES IN SOME DETAIL.

D) IT IS NOT CLEAR WHETHER BRANDT COMMISSION WILL BE
ANOTHER PEARSON COMMISSION OR (HOPEFULLY) MAKE CONTRI-
BUTION ON "A MORE POLITICAL LEVEL". SECGEN HAS PROMISED
BRANDT OECD'S COOPERATION.

9. VAN LENNEP THANKED US FOR ARRANGEMENTS MADE FOR
HIS BILATERAL PROGRAM IN WASHINGTON. HE EXPRESSED
SATISFACTION WITH IT, NOTING PARTICULARLY THAT MEETINGS
WITH AFL-CIO AND LEGISLATIVE BRANCH HAD BEEN INCLUDED.
HE CHARACTERIZED MEETING WITH MEANY AS "VERY POSITIVE"
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PARIS 29977 03 OF 03 131540Z

AND SAID THAT CONTACTS WITH PROMINENT SENATORS AND CONGRESSMEN HAD RESULTED IN AGREEMENT THAT CLOSER CONTACTS BETWEEN US LEGISLATORS AND OECD WOULD BE DESIRABLE.

10. ON OCCASION OCTOBER 18 COUNCIL MEETING ADDITIONAL OPPORTUNITY WILL BE GIVEN FOR HEADS OF DELS TO FOLLOW UP THIS DISCUSSION.
SALZMAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 13-Oct-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977PARIS29977
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770373-0789
Format: TEL
From: PARIS USOECD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19771065/aaaacctb.tel
Line Count: 288
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: da41f830-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 02-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 933971
Secure: OPEN
Status: NATIVE
Subject: OECD SECRETARIAT'S REPORT ON WASHINGTON MEETINGS OF IMF, IBRD AND RELATED BODIES
TAGS: EFIN, ECON, EAID, OECD
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/da41f830-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009